

AUDITING PROCEDURES REPORT

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Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>Charter Township of Brandon</u>	County Oakland
Audit Date December 31, 2005	Opinion Date April 25, 2006	Date Accountant Report Submitted to the State June 30, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 27400 Northwestern Highway P.O. Box 307	City Southfield	State MI	ZIP 48037-0307
Accountant Signature <i>Plante & Moran, PLLC</i>			

Charter Township of Brandon Oakland County, Michigan

Financial Report

with Supplemental Information

December 31, 2005



Charter Township of Brandon

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Independent Auditor's Report

To the Township Board
Charter Township of Brandon
Oakland County, Michigan

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Charter Township of Brandon as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Charter Township of Brandon's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Charter Township of Brandon as of December 31, 2005 and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedules as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

A member of



A worldwide association of independent accounting firms

To the Township Board
Charter Township of Brandon
Oakland County, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Charter Township of Brandon's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moren, PLLC

April 25, 2006

Charter Township of Brandon

Management's Discussion and Analysis

Our discussion and analysis of Charter Township of Brandon's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2005. Please read it in conjunction with the Township's financial statements.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Governmental Activities

The following table shows, in a condensed format, the current year's net assets and changes in net assets, compared to the prior two years:

	2003	2004	2005	Change from Prior Year	
				in Dollars	as %
Cash and investments	\$ 4,116,543	\$ 3,108,573	\$ 2,469,768	\$ (638,805)	-20.5%
Current assets	1,281,087	1,454,359	2,188,267	733,908	50.5%
Lease receivable	3,666,112	3,355,000	3,190,000	(165,000)	-4.9%
Capital assets	2,132,850	3,217,920	3,006,453	(211,467)	-6.6%
Total assets	11,196,592	11,135,852	10,854,488	(281,364)	-2.5%
Current liabilities	468,330	567,510	697,597	130,087	22.9%
Deferred revenue	1,955,902	2,108,214	2,233,946	125,732	6.0%
Long-term liabilities	3,413,680	3,680,125	3,360,071	(320,054)	-8.7%
Total liabilities	5,837,912	6,355,849	6,291,614	(64,235)	-1.0%
Net assets:					
Invested in capital assets, net of related debt	2,057,850	2,634,596	2,549,728	(84,868)	-3.2%
Restricted	1,038,144	556,129	229,207	(326,922)	-58.8%
Unrestricted	2,262,686	1,589,278	1,783,939	194,661	12.2%
Total net assets	<u>\$ 5,358,680</u>	<u>\$ 4,780,003</u>	<u>\$ 4,562,874</u>	<u>\$ (217,129)</u>	<u>-4.5%</u>

Charter Township of Brandon

Management's Discussion and Analysis (Continued)

	2004	2005	Change from Prior Year	
			in Dollars	as %
Revenue				
Program revenue:				
Charges for services	\$ 540,145	\$ 517,727	\$ (22,418)	-4.2%
Operating grants	163,313	125,687	(37,626)	-23.0%
General revenue:				
Property taxes	1,605,815	1,929,860	324,045	20.2%
State-shared revenue	993,111	985,527	(7,584)	-0.8%
Investment earnings	107,213	160,862	53,649	50.0%
Other revenue	79,010	53,850	(25,160)	-31.8%
Special item - Gain on sale of land	-	487,552	487,552	n/a
Total revenue	3,488,607	4,261,065	772,458	22.1%
Program Expenses				
General government	1,218,854	1,594,465	375,611	30.8%
Police	1,554,322	1,658,898	104,576	6.7%
Building inspections	192,091	184,232	(7,859)	-4.1%
Public works	275,438	265,132	(10,306)	-3.7%
Community and economic development	54,966	34,000	(20,966)	-38.1%
CDBG	60,649	17,895	(42,754)	-70.5%
Recreation and culture	410,170	393,026	(17,144)	-4.2%
Senior services and van	141,477	171,845	30,368	21.5%
Interest on long-term debt	159,317	158,701	(616)	-0.4%
Total expenses	4,067,284	4,478,194	410,910	10.1%
Change in Net Assets	\$ (578,677)	\$ (217,129)	\$ 361,548	-62.5%

The governmental net assets decreased 4.5 percent from a year ago - from \$4.8 million to \$4.6 million. However, unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) totaled \$1.8 million, which represents 40 percent of annual expenses.

Revenues increased \$772,000 for 2005. However, this included a special item from the sale of land of \$487,000. Prior to this gain on sale, total revenues increased \$285,000 or 8.2 percent. This was driven primarily by property tax revenue, which increased due to an increase in the tax base, plus a small increase in the debt millage of 0.15 mill (the debt millage is tied directly to the scheduled debt service each year).

Expenses increased by \$411,000, which represents 10 percent of total expenses. This was driven primarily by an increase in pension costs. As discussed in Note 9, the Township adopted the MERS pension system in 2005. This increased the Township's pension cost by \$382,000 from the prior year; however, the majority of this was a one-time contribution to fund the MERS system.

Charter Township of Brandon

Management's Discussion and Analysis (Continued)

The Township's Funds

Our analysis of the Township's major funds begins on page 9, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for the year ended December 31, 2005 include the General Fund, the Police Fund, the Recreation Fund, and the Library Debt Service Fund.

The General Fund pays for essentially all of the Township's governmental services that are not funded by a specific restricted source (such as police, fire, recreation, or special assessment projects). In addition to the General Fund, there is a Police Fund that is funded by a special police millage that pays for the contract for police services with the Oakland County Sheriff's department, and the Fire Authority (a discretely presented component unit) that is funded by a special fire millage.

General Fund Budgetary Highlights

Over the course of the year, the Township amended the budget to take into account events during the year. The most significant change was to increase the estimated cost of pension contributions (as discussed above). Overall, Township departments stayed below budget, resulting in total expenditures \$510,000 or 20 percent below budget. This allowed the General Fund's fund balance to increase by \$280,000 from \$1,258,000 to \$1,538,000 (the budget had projected a decrease to \$866,000). At the end of the year, the General Fund's fund balance was equivalent to 65 percent of annual General Fund expenditures.

Capital Asset and Debt Administration

At the end of 2005, the Township had \$3,000,000 invested in capital assets, primarily land, buildings, furnishings, and public sidewalks. In addition, the Township has invested significantly in roads within the Township. These assets are the property of the Oakland County Road Commission (along with the responsibility to maintain them).

Contacting the Township's Management

This financial report is intended to provide our citizens with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Clerk's office.

Charter Township of Brandon

Statement of Net Assets December 31, 2005

	Primary Government - Governmental Activities	Component Unit - Fire Authority
Assets		
Cash and investments (Note 3)	\$ 2,469,768	\$ 1,428,277
Property taxes receivable	1,842,630	2,156,301
Special assessments	12,854	-
Due from other governments	332,783	-
Lease receivable (Note 12):		
Due within one year	180,000	-
Due in more than one year	3,010,000	-
Capital assets - Net (Note 5):		
Assets subject to depreciation	1,779,084	2,990,347
Assets not subject to depreciation	1,227,369	294,818
Total assets	10,854,488	6,869,743
Liabilities		
Accounts payable	353,664	9,001
Accrued and other liabilities	30,289	3,092
Deferred revenue (Note 4)	2,233,946	2,156,301
Noncurrent liabilities (Note 6):		
Due within one year	313,644	46,071
Due in more than one year	3,360,071	253,355
Total liabilities	6,291,614	2,467,820
Net Assets		
Invested in capital assets - Net of related debt	2,549,728	3,017,187
Restricted:		
Police operations	106,980	-
Metro Authority	10,407	-
Cemetery operations	35,201	-
Debt service	45,572	-
Public works	31,047	-
Unrestricted	1,783,939	1,384,736
Total net assets	\$ 4,562,874	\$ 4,401,923

Statement of Activities
Year Ended December 31, 2005

		Program Revenues		Net (Expense)
		Charges for	Operating Grants and Contributions	
Functions/Programs	Expenses	Services		Revenue
Primary government -				
Governmental activities:				
General government	\$ 1,594,465	\$ 39,135	\$ 39,964	\$ (1,515,366)
Police	1,658,898	31,635	10,683	(1,616,580)
Building inspections and related	184,232	115,725	2,080	(66,427)
Streets	228,560	-	59,692	(168,868)
Street lighting	16,859	-	-	(16,859)
Stormwater drainage	840	-	-	(840)
Septic system maintenance	5,453	6,452	-	999
Lake weed cutting	5,056	6,135	-	1,079
Cemetery	8,364	6,000	-	(2,364)
Planning and zoning	34,000	7,490	-	(26,510)
Community development block				
grant	17,895	-	13,268	(4,627)
Recreation programs	393,026	305,155	-	(87,871)
Senior citizen services	99,275	-	-	(99,275)
Senior van	72,570	-	-	(72,570)
Interest on long-term debt	158,701	-	-	(158,701)
Total	<u>\$ 4,478,194</u>	<u>\$ 517,727</u>	<u>\$ 125,687</u>	<u>\$ (3,834,780)</u>
Component unit - Fire Authority	<u>\$ 2,327,770</u>	<u>\$ 154,246</u>	<u>\$ 9,853</u>	<u>\$ (2,163,671)</u>

Statement of Activities (Continued)
Year Ended December 31, 2005

	Net (Expense) Revenue and Changes in Net Assets	
	Primary Government - Governmental Activities	Component Unit - Fire Authority
Net (Expense) Revenue (Continued)	\$ (3,834,780)	\$ (2,163,671)
General Revenues		
Property taxes	1,929,860	2,044,034
State-shared revenues	985,527	-
Investment earnings	160,862	76,244
Cellular tower fees	52,111	-
Miscellaneous	1,739	4,589
Total general revenues	3,130,099	2,124,867
Special Item - Gain on sale of land	487,552	-
Change in Net Assets	(217,129)	(38,804)
Net Assets - Beginning of year	4,780,003	4,440,727
Net Assets - End of year	<u><u>\$ 4,562,874</u></u>	<u><u>\$ 4,401,923</u></u>

Charter Township of Brandon

Governmental Funds Balance Sheet December 31, 2005

	General	Police	Recreation Program	Library Debt Service	Nonmajor	Total Governmental Funds
Assets						
Cash and investments (Note 3)	\$ 1,489,072	\$ 644,292	\$ 162,141	\$ 76,829	\$ 97,434	\$ 2,469,768
Receivables - Net:						
Property taxes	422,515	1,141,366	-	278,749	-	1,842,630
Special assessments	-	-	-	-	12,854	12,854
Due from other governments	169,640	-	-	-	-	169,640
Total assets	<u>\$ 2,081,227</u>	<u>\$ 1,785,658</u>	<u>\$ 162,141</u>	<u>\$ 355,578</u>	<u>\$ 110,288</u>	<u>\$ 4,494,892</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 37,146	\$ 290,704	\$ 6,716	\$ 57	\$ 19,041	\$ 353,664
Accrued and other liabilities	681	-	-	-	4,734	5,415
Deferred revenue (Note 4)	504,717	1,387,974	13,188	328,067	2,147	2,236,093
Total liabilities	542,544	1,678,678	19,904	328,124	25,922	2,595,172
Fund Balances						
Unreserved, reported in:						
General Fund:						
Designated (Note 11)	1,160,857	-	-	-	-	1,160,857
Undesignated	377,826	-	-	-	-	377,826
Special Revenue Funds:	-					
Designated (Note 11)	-	106,980	64,329	-	15,000	186,309
Undesignated	-	-	77,908	-	51,248	129,156
Debt Service Funds -						
Undesignated	-	-	-	27,454	18,118	45,572
Total fund balances	<u>1,538,683</u>	<u>106,980</u>	<u>142,237</u>	<u>27,454</u>	<u>84,366</u>	<u>1,899,720</u>
Total liabilities and fund balances	<u>\$ 2,081,227</u>	<u>\$ 1,785,658</u>	<u>\$ 162,141</u>	<u>\$ 355,578</u>	<u>\$ 110,288</u>	<u>\$ 4,494,892</u>

Charter Township of Brandon

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets December 31, 2005

Fund Balances Reported in Governmental Funds \$ 1,899,720

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and are not reported in the funds 3,006,453

Revenue-sharing due from State not received within 60 days of year end is
not available currently and is not recorded in the funds 163,143

Lease receivable is not a receivable in the current period and is not
reported in the funds 3,190,000

Special assessment receivables are expected to be collected over several
years, and are not available to pay for current year expenditures 2,147

Interest amounts on long-term liabilities are not payable until due in the
funds (24,874)

Long-term liabilities are not due and payable in the current period and are
not reported in the funds (3,673,715)

Net Assets of Governmental Activities \$ 4,562,874

Charter Township of Brandon

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2005

	General	Police	Recreation Program	Library Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenue						
Property taxes	\$ 480,539	\$ 1,305,865	\$ -	\$ 307,633	\$ 35,152	\$ 2,129,189
Licenses and permits	120,372	2,883	-	-	-	123,255
Federal grants	13,268	-	-	-	-	13,268
State-shared revenues and grants	1,058,702	-	-	-	-	1,058,702
Charges for services	8,019	-	284,410	-	-	292,429
Fines and forfeitures	-	31,635	-	-	-	31,635
Interest and rentals	123,362	28,295	5,358	3,084	1,002	161,101
Other	99,735	20,000	20,745	-	26,720	167,200
Total revenue	1,903,997	1,388,678	310,513	310,717	62,874	3,976,779
Expenditures						
Current:						
General government	1,633,064	-	-	-	27,991	1,661,055
Police	52	1,753,014	-	-	-	1,753,066
Building inspections and related	192,285	-	-	-	-	192,285
Streets	177,783	-	-	-	-	177,783
Street lighting	16,859	-	-	-	-	16,859
Stormwater drainage	840	-	-	-	-	840
Septic system maintenance	-	-	-	-	5,453	5,453
Lake weed cutting	-	-	-	-	5,295	5,295
Cemetery	-	-	-	-	8,364	8,364
Planning and zoning	34,000	-	-	-	-	34,000
Community development block grant	17,895	-	-	-	-	17,895
Recreation programs	118,337	-	304,754	-	-	423,091
Senior citizen services	82,913	-	-	-	-	82,913
Senior van	72,570	-	-	-	-	72,570
Debt service	-	-	-	308,135	26,324	334,459
Total expenditures	2,346,598	1,753,014	304,754	308,135	73,427	4,785,928
Excess of Revenue Over (Under)						
Expenditures	(442,601)	(364,336)	5,759	2,582	(10,553)	(809,149)
Other Financing Sources - Sales						
of capital assets	722,678	-	-	-	6,000	728,678
Net Change in Fund Balances	280,077	(364,336)	5,759	2,582	(4,553)	(80,471)
Fund Balances - Beginning of year	1,258,606	471,316	136,478	24,872	88,919	1,980,191
Fund Balances - End of year	<u>\$ 1,538,683</u>	<u>\$ 106,980</u>	<u>\$ 142,237</u>	<u>\$ 27,454</u>	<u>\$ 84,366</u>	<u>\$ 1,899,720</u>

Charter Township of Brandon

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2005

Net Change in Fund Balances - Total Governmental Funds \$ (80,471)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	163,423
Depreciation	(136,818)
Net book value of assets disposed of	(238,072)

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end (45,589)

The statement of activities column does not recognize the property taxes collected to support the lease receivable (165,000)

Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No. 33) (15,004)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 291,599

Decrease in accumulated employee sick and vacation pay are recorded when earned in the statement of activities 546

Change in long-term liability related to the personal property tax multiplier 8,257

Change in Net Assets of Governmental Activities \$ (217,129)

Charter Township of Brandon

Fiduciary Funds Statement of Fiduciary Net Assets December 31, 2005

	Employee Benefit Trust Fund (Retiree Health Care)	Agency Funds
Assets		
Cash and investments	\$ 106,959	\$ 4,843,955
Due from other governments	-	3,513
Total assets	106,959	<u><u>\$ 4,847,468</u></u>
Liabilities		
Due to other governmental units	-	\$ 4,398,004
Accounts payable	13,185	1,933
Due to component unit	-	360,146
Accrued liabilities	-	87,385
Total liabilities	13,185	<u><u>\$ 4,847,468</u></u>
Net Assets - Held in trust for other employee benefits	<u><u>\$ 93,774</u></u>	-

Charter Township of Brandon

Fiduciary Funds Statement of Change in Net Assets December 31, 2005

	Employee Benefit Trust Fund (Retiree Health Care)
Additions	
Investment income - Interest and dividends	\$ 3,135
Contributions - Employer	<u>90,639</u>
Net Increase in Net Assets Held in Trust	93,774
Net Assets	
Beginning of year	<u>-</u>
End of year	<u><u>\$ 93,774</u></u>

Charter Township of Brandon

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Charter Township of Brandon (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

Reporting Entity

The Township is governed by an elected seven-member board of trustees. The accompanying financial statements present the Township and its component unit (the Brandon Ortonville Joint Fire Authority, the "Fire Authority"), an entity for which the Township is considered to be financially accountable.

The Fire Authority is governed by a four-member advisory board. The Fire Authority provides fire protection for the Township and the Village of Ortonville. Two of the advisory members are selected by the Township. The Township controls the property tax levy that funds the Fire Authority and approves the annual budget along with the Village of Ortonville; therefore, the Fire Authority is fiscally dependent on the Township. The Fire Authority is reported in a separate component unit column in the government-wide financial statements to emphasize that it is legally separate from the Township. Complete financial statements of the Fire Authority can be obtained at its administrative offices at 53 South Street, Ortonville, Michigan.

In addition, the Township treasurer holds the cash and investments of the Brandon Public Library. This is a separate legal entity with separately issued financial statements. The Township does not control appointment to its governing board, nor is the Library fiscally dependent on the Township. The cash and investments of the Library are included in the Township's Trust and Agency Fund.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. The primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

Charter Township of Brandon

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue and interest associated with the current fiscal period. Conversely, any special assessments and federal grant reimbursements that will be collected after the period of availability are recorded as "deferred revenue."

Charter Township of Brandon

Notes to Financial Statements December 31, 2005

Note I - Summary of Significant Accounting Policies (Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Police Fund accounts for a special tax levy that is used to finance the Township's service contract with Oakland County to provide sheriff deputies patrolling within the Township.

The Recreation Program Fund accounts for recreation and culture activities within the Township which are financed through various user charges and miscellaneous local sources.

The Library Debt Service Fund is used to account for the annual payment of principal, interest, and other expenses.

Additionally, the Township reports Agency Fund types. The Agency Funds account for assets held by the Township in a trustee capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Agency Funds account for the following: cash and investments of the Library, which are managed by the Township Treasurer; resources provided by the private cable provider that are passed along to the cable commission; collection of property taxes by the treasurer and the subsequent remittance to the local taxing units; funds set aside to pay payroll and tax withholdings; funds held on behalf of the Upper Bushman Association; and performance deposits held in escrow until return to the developers or builders.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Charter Township of Brandon

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2004 tax is levied and collectible on December 1, 2004, and is recognized as revenue in the year ended December 31, 2005, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2004 taxable valuation of the Township totaled approximately \$465 million of real property and \$12 million of personal property (a portion of which is abated and a portion of which is captured by the TIFA and DDA). The Township's tax levy for the year ended December 31, 2004 was as follows:

	Millage Rate	Levy
Operating	1.00	\$ 478,000
Police	2.75	1,314,000
Fire (real property only)	4.39	2,045,000
Debt service	0.65	311,000
Total	8.79	\$ 4,148,000

These amounts are recognized in the respective General, Special Revenue, and Debt Service Fund financial statements as tax revenue, net of administrative fees, as well as the component unit's (Fire Authority) financial statements.

Community Development Block Grant revenue

The Township incurred Community Development Block Grant revenue of \$13,268 and had federal expenditures of \$17,895.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Charter Township of Brandon

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Capital Assets - Capital assets, which include property, equipment, and other assets are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and building improvements	40 to 50 years
Land improvements	20 to 30 years
Vehicles	3 to 5 years
Office furnishings	5 to 7 years
Other tools and equipment	3 to 7 years
Sidewalks	15 to 20 years
Participation in county roads	15 to 20 years

Employee Compensated Absences - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the Township does not have a policy to pay any amounts when employees separate from service with the Township. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Charter Township of Brandon

Notes to Financial Statements December 31, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Charter Township of Brandon

Notes to Financial Statements December 31, 2005

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The Township oversees building construction, in accordance with the State's construction code act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall is as follows:

Shortfall at January 1, 2005		\$ (194,225)
Current year building permit revenue		111,612
Related expenses:		
Direct costs	\$ 186,210	
Estimated indirect costs	<u>Not estimated</u>	
Total construction code expenses		<u>186,210</u>
Cumulative shortfall at December 31, 2005		<u><u>\$ (268,823)</u></u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated 15 banks for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above. The Township's deposits and investment policies are in accordance with statutory authority.

Charter Township of Brandon

Notes to Financial Statements December 31, 2005

Note 3 - Deposits and Investments (Continued)

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$8,100,555 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U. S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Mutual funds	\$193,956	AAA	S&P

Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Governmental Funds/Activities</u>		
	<u>Unearned</u>	<u>Unavailable</u>	<u>Total</u>
Property taxes	\$ 2,233,946	\$ -	\$ 2,233,946
Special assessments	-	2,147	2,147
Total	<u>\$ 2,233,946</u>	<u>\$ 2,147</u>	<u>\$ 2,236,093</u>

Charter Township of Brandon

Notes to Financial Statements December 31, 2005

Note 4 - Deferred Revenue (Continued)

The component unit deferred revenue represents property taxes that have not been earned as of December 31, 2005.

Note 5 - Capital Assets

The Township's capital asset activity was as follows:

	Balance January 1, 2005	Additions	Disposals and Adjustments	Balance December 31, 2005
Governmental Activities				
Capital assets not being depreciated -				
Land	\$ 1,465,129	\$ -	\$ 237,760	\$ 1,227,369
Capital assets being depreciated:				
Buildings and building improvements	944,120	80,957	312	1,024,765
Land improvements	30,125	-	-	30,125
Vehicles	62,198	-	-	62,198
Office furnishings	212,848	45,301	-	258,149
Other tools and equipment	138,742	37,165	-	175,907
Sidewalks	250,000	-	-	250,000
Participation in county roads	502,509	-	-	502,509
Subtotal	2,140,542	163,423	312	2,303,653
Accumulated depreciation:				
Buildings and building improvements	189,885	41,412	-	231,297
Land improvements	4,060	1,423	-	5,483
Vehicles	46,154	9,545	-	55,699
Office furnishings	82,072	28,444	-	110,516
Other tools and equipment	15,671	5,218	-	20,889
Sidewalks	14,583	8,333	-	22,916
Participation in county roads	35,326	42,443	-	77,769
Subtotal	387,751	136,818	-	524,569
Net capital assets being depreciated	1,752,791	26,605	312	1,779,084
Net capital assets	\$ 3,217,920	\$ 26,605	\$ 238,072	\$ 3,006,453

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 10,521
Police	5,787
Building inspections and related	44,709
Streets	50,777
Recreation programs	7,608
Senior citizen services	11,121
Senior van	6,295
Total	\$ 136,818

Charter Township of Brandon

Notes to Financial Statements December 31, 2005

Note 5 - Capital Assets (Continued)

The Fire Authority's capital asset activity was as follows:

	Balance January 1, 2005	Additions	Disposals and Adjustments	Balance December 31, 2005
Capital assets not being depreciated:				
Land	\$ 294,818	\$ -	\$ -	\$ 294,818
Construction in progress	1,281,230	-	1,281,230	-
Subtotal	1,576,048	-	1,281,230	294,818
Capital assets being depreciated:				
Building and building improvements	1,566,181	1,319,036	-	2,885,217
Land improvements	32,372	13,283	-	45,655
Vehicles	1,671,402	33,432	7,409	1,697,425
Office furnishings	41,150	4,236	-	45,386
Other tools and equipment	90,528	26,309	-	116,837
Subtotal	3,401,633	1,396,296	7,409	4,790,520
Accumulated depreciation:				
Building and building improvements	763,689	56,809	-	820,498
Land improvements	14,371	1,965	-	16,336
Vehicles	826,136	57,005	-	883,141
Office furnishings	19,378	5,777	-	25,155
Other tools and equipment	34,459	20,584	-	55,043
Subtotal	1,658,033	142,140	-	1,800,173
Net capital assets being depreciated	1,743,600	1,254,156	7,409	2,990,347
Net capital assets	<u>\$ 3,319,648</u>	<u>\$ 1,254,156</u>	<u>\$ 1,288,639</u>	<u>\$ 3,285,165</u>

Note 6 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received.

Charter Township of Brandon

Notes to Financial Statements December 31, 2005

Note 6 - Long-term Debt (Continued)

Long term debt consists of the following:

1998 Library Building Unlimited Tax General Obligation bonds bearing interest from 4.25 percent to 4.5 percent, and maturing through 2017	\$ 3,190,000
2002 Special Assessment Bonds, bearing interest at 5.3 percent, and maturing through 2006	25,000
Land purchase obligation, bearing interest at 5.0 percent, and maturing through 2009	431,725
Personal property tax appeals	25,143
Employee-compensated absences	<u>1,847</u>
Total long-term debt	<u>\$ 3,673,715</u>

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds	\$ 3,405,000	\$ -	\$ 190,000	\$ 3,215,000	\$ 205,000
Land purchase obligations	<u>533,324</u>	<u>-</u>	<u>101,599</u>	<u>431,725</u>	<u>106,797</u>
Total bonds and other obligations	3,938,324	-	291,599	3,646,725	311,797
Tax appeals	33,400	-	8,257	25,143	-
Compensated absences	<u>2,393</u>	<u>1,847</u>	<u>2,393</u>	<u>1,847</u>	<u>1,847</u>
Total	<u>\$ 3,974,117</u>	<u>\$ 1,847</u>	<u>\$ 302,249</u>	<u>\$ 3,673,715</u>	<u>\$ 313,644</u>

Charter Township of Brandon

Notes to Financial Statements December 31, 2005

Note 6 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities		
	Principal	Interest	Total
2006	\$ 311,797	\$ 156,745	\$ 468,542
2007	302,261	142,094	444,355
2008	318,005	128,062	446,067
2009	304,662	113,357	418,019
2010	220,000	101,845	321,845
2011-2015	1,265,000	353,990	1,618,990
2016-2018	925,000	63,563	988,563
Total	<u>\$ 3,646,725</u>	<u>\$ 1,059,656</u>	<u>\$ 4,706,381</u>

Component Unit - Long-term debt of the Fire Authority consists of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Installment purchase obligation	\$ 307,789	\$ -	\$ 39,811	\$ 267,978	\$ 41,123
Tax appeals	26,700	-	200	26,500	-
Compensated absences	6,241	4,948	6,241	4,948	4,948
Total	<u>\$ 340,730</u>	<u>\$ 4,948</u>	<u>\$ 46,252</u>	<u>\$ 299,426</u>	<u>\$ 46,071</u>

The installment purchase obligation consists of one debt issuance due in annual installments ranging in principal payments from \$41,123 to \$48,359 at 3.295 percent, with \$41,123 due within one year.

Annual debt service requirements to maturity for the above installment purchase obligation is as follows:

	Principal	Interest	Total
2006	\$ 41,123	\$ 8,830	\$ 49,953
2007	42,478	7,475	49,953
2008	43,878	6,075	49,953
2009	45,323	4,629	49,952
2010	46,817	3,136	49,953
2011	48,359	1,593	49,952
Total	<u>\$ 267,978</u>	<u>\$ 31,738</u>	<u>\$ 299,716</u>

Charter Township of Brandon

Notes to Financial Statements December 31, 2005

Note 7 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for workers compensation and employee medical claims and participates in the Michigan Municipal Risk Management Authority's State Pool program for claims relating to property loss, torts, and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority's (the "Authority") State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

Note 8 - Defined Contribution Pension Plan

The Township provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after 90 days of employment. As established by the Township board, the Township contributes 12 percent of employees' gross earnings. In accordance with these requirements, the Township contributed approximately \$122,000 during the current year. The Township's contributions for each employee (plus interest allocated to the employee's account) are fully vested immediately.

Note 9 - Municipal Employees Retirement System

The Township participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer defined benefit plan that covers all nonunion and union employees that choose to participate by majority vote. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, MI 48917.

Charter Township of Brandon

Notes to Financial Statements December 31, 2005

Note 9 - Municipal Employees Retirement System (Continued)

Funding Policy

The obligation to contribute to and maintain the system for these full-time employees was established by the Township's board and requires a contribution from the employees of 2 percent of gross wages and a contribution from the employer for participating full-time Township employees of 9.21 percent and 9.08 percent of their gross wages for trustees.

Annual Pension Cost and Three-year Trend Information

The Township began participation in the MERS plan in October 2005. During 2005, \$1,925,530 was transferred from the defined contribution plan to MERS and \$700,000 from the Township. For year ended December 31, 2005, the Charter Township's annual pension cost of \$45,548 for the plan was equal to the Charter Township's required and actual contribution. The fair market value of the plan's assets approximated \$2,737,361 at December 31, 2005. Consequently, no actuarial report is yet available on this plan. The 2005 annual required contribution was determined as part of the initial actuarial valuation as of October 1, 2005, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year plus a percentage based on an age-related scale to reflect merit longevity and promotional salary increases, and (c) 2.5 percent per year cost-of-living adjustments. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

Note 10 - Other Postemployment Benefits

The Township has elected to provide postemployment health benefits to all full time employees with over 20 years of continuous service upon retirement through private insurers, in accordance with Township policy. Currently, one Township retiree is eligible. For the fiscal year ended December 31, 2005, the Township made payments for postemployment health benefit premiums of approximately \$7,000.

Charter Township of Brandon

Notes to Financial Statements December 31, 2005

Note 10 - Other Postemployment Benefits (Continued)

In addition, the Fire Authority offers retiree health care benefits. The cost amounted to approximately \$15,000 in the current year relating to one retiree.

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ended December 31, 2009.

Note 11 - Fund Balance Designations

Unreserved fund balances have been designated for the following purposes:

	Funds					
	General	Police	Recreation Program	Library Debt Service	Nonmajor Special Revenue	Total
Subsequent years' expenditures	\$ 1,110,857	\$ 106,980	\$ 64,329	\$ -	\$ 15,000	\$ 1,297,166
Future years' expenditures	50,000	-	-	-	-	50,000
Total	<u>\$ 1,160,857</u>	<u>\$ 106,980</u>	<u>\$ 64,329</u>	<u>\$ -</u>	<u>\$ 15,000</u>	<u>\$ 1,347,166</u>

Note 12 - Lease Payable

The 1998 Library Building Unlimited Tax General Obligation bonds were issued by the Township in order to provide the necessary resources for the Brandon Township Public Library's building and equipment. The bond is supported by a millage that is being paid by the residents of the Township. The lease receivable is recorded in the statement of net assets and represents the outstanding liability related to the bonds that is currently being repaid by the Township through the special tax levy.

Required Supplemental Information

Charter Township of Brandon

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2005

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenue				
Property taxes	\$ 480,293	\$ 491,165	\$ 480,539	\$ (10,626)
Licenses and permits	98,950	98,950	120,372	21,422
Federal grants	40,875	40,875	13,268	(27,607)
State-shared revenues and grants	1,044,567	1,055,701	1,058,702	3,001
Charges for services	5,750	5,750	8,019	2,269
Interest and rentals	60,000	60,000	123,362	63,362
Other	81,500	87,611	99,735	12,124
Total revenue	1,811,935	1,840,052	1,903,997	63,945
Expenditures - Current				
General government	1,389,856	1,949,806	1,633,116	316,690
Public safety	285,361	285,361	226,285	59,076
Public works	316,500	316,500	195,482	121,018
Health and welfare	143,353	143,353	155,483	(12,130)
Community and economic development	40,875	40,875	17,895	22,980
Recreation and culture	120,356	120,956	118,337	2,619
Total expenditures	2,296,301	2,856,851	2,346,598	510,253
Excess of Revenue Over (Under) Expenditures	(484,366)	(1,016,799)	(442,601)	574,198
Other Financing Sources (Uses)				
Sale of fixed assets	650,000	722,578	722,678	100
Transfers out	(98,000)	(98,000)	-	98,000
Total other financing sources	552,000	624,578	722,678	98,100
Net Change in Fund Balance	67,634	(392,221)	280,077	\$ 672,298
Fund Balance - Beginning of year	1,258,606	1,258,606	1,258,606	
Fund Balance - End of year	\$ 1,326,240	\$ 866,385	\$ 1,538,683	

Charter Township of Brandon

Required Supplemental Information Budgetary Comparison Schedule - Police Fund Year Ended December 31, 2005

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenue				
Property taxes	\$ 1,312,250	\$ 1,312,250	\$ 1,305,865	\$ (6,385)
Licenses and permits	2,200	2,200	2,883	683
Fines and forfeitures	17,500	17,500	31,635	14,135
Interest and rentals	12,000	12,000	28,295	16,295
Other	20,000	20,000	20,000	-
Total revenue	1,363,950	1,363,950	1,388,678	24,728
Expenditures	1,621,904	1,690,954	1,753,014	(62,060)
Net Change in Fund Balance	(257,954)	(327,004)	(364,336)	<u>\$ (37,332)</u>
Fund Balance - Beginning of year	471,316	471,316	471,316	
Fund Balance - End of year	<u>\$ 213,362</u>	<u>\$ 144,312</u>	<u>\$ 106,980</u>	

Charter Township of Brandon

Required Supplemental Information Budgetary Comparison Schedule - Recreation Program Fund Year Ended December 31, 2005

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenue				
Recreation program fees	\$ 290,593	\$ 262,737	\$ 271,596	\$ 8,859
Discount tickets	18,000	12,400	12,814	414
Charges to other local units	16,500	15,000	15,000	-
Interest and rentals	2,000	5,482	11,103	5,621
Total revenue	327,093	295,619	310,513	14,894
Expenditures - Recreation and culture				
Recreation programs	223,215	268,708	261,430	7,278
Discount tickets	18,000	12,590	12,590	-
Other	52,238	31,270	30,734	536
Total expenditures	293,453	312,568	304,754	7,814
Net Change in Fund Balance	33,640	(16,949)	5,759	\$ 22,708
Fund Balance - Beginning of year	136,478	136,478	136,478	
Fund Balance - End of year	\$ 170,118	\$ 119,529	\$ 142,237	

Charter Township of Brandon

Note to Required Supplemental Information December 31, 2005

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end. The annual budget is prepared by the Township supervisor and approved by the Township board; subsequent amendments are approved by the Township board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with generally accepted accounting principles for the General Fund and all Special Revenue Funds, with the exception that operating transfers have been included in the "revenue" and/or "expenditures" categories, rather than as "other financing sources (uses)."

The Township follows procedures outlined below in establishing the budget reflected in the financial statements:

1. The budget process begins in August/September via a communication to all departments specifying what expenditures will be necessary during the subsequent fiscal year.
2. The Township supervisor, upon receipt of the information from the departments, reviews the amounts and sets up a preliminary budget.
3. The Township board meets and discusses the budget in various budget study sessions and makes adjustments as deemed necessary.
4. Following the numerous meetings and revisions, the budget is presented to the board for final approval.

The budget has been adopted on an activity basis; expenditures at this level in excess of budgeted amounts are a violation of Michigan law. Comparison of actual results of operations to the budgets of the General Fund and Major Special Revenue Funds as adopted by the Township board are included in the required supplemental information of the basic financial statements. A comparison of the actual results of operations to the nonmajor Special Revenue Funds' budgets as adopted by the Township is available at the Township Hall for inspection.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Police Fund incurred expenditures of \$1,753,014, which were \$62,060 greater than budget. However, revenues exceeded the budget by \$24,728. Overall, the Police Fund financial operations exceeded budgeted expectations by \$37,332.

Other Supplemental Information

Charter Township of Brandon

	Special Revenue Funds			
	Seymour Lake Cemetery	Zarieda Street	Lake Louise	Upper Bushman
Assets				
Cash and investments	\$ 35,201	\$ 2,029	\$ 45,650	\$ 7,143
Receivables - Special assessments	-	-	-	-
Total assets	<u>\$ 35,201</u>	<u>\$ 2,029</u>	<u>\$ 45,650</u>	<u>\$ 7,143</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ -	\$ 19,041	\$ -
Accrued and other liabilities	-	-	-	4,734
Deferred revenue	-	-	-	-
Total liabilities	-	-	19,041	4,734
Fund Balances				
Designated for subsequent year's expenditures	15,000	-	-	-
Unreserved and undesignated	20,201	2,029	26,609	2,409
Total fund balances	35,201	2,029	26,609	2,409
Total liabilities and fund balances	<u>\$ 35,201</u>	<u>\$ 2,029</u>	<u>\$ 45,650</u>	<u>\$ 7,143</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2005**

Walnut Hills
Debt Service

Fund	Total
\$ 7,411	\$ 97,434
<u>12,854</u>	<u>12,854</u>
<u>\$ 33,119</u>	<u>\$ 123,142</u>
\$ -	\$ 19,041
-	4,734
<u>2,147</u>	<u>2,147</u>
2,147	25,922
-	15,000
<u>18,118</u>	<u>69,366</u>
<u>18,118</u>	<u>84,366</u>
<u>\$ 20,265</u>	<u>\$ 110,288</u>

Charter Township of Brandon

	Special Revenue Funds				
	Seymour Lake Cemetery	Zarieda Street	Lake Louise	Upper Bushman	Walnut Hills Debt Service Fund
Revenue					
Property taxes	\$ -	\$ 6,452	\$ 28,700	\$ -	\$ -
Charges for services	6,000	-	-	-	-
Interest and rentals	-	95	-	239	668
Other	-	-	-	6,135	20,585
Total revenue	6,000	6,547	28,700	6,374	21,253
Expenditures					
Public works:					
Septic system maintenance	-	5,453	-	-	-
Lake weed cutting	-	-	27,991	5,295	-
Cemetery	8,364	-	-	-	-
Debt service	-	-	-	-	26,324
Total expenditures	8,364	5,453	27,991	5,295	26,324
Net Change in Fund Balances	(2,364)	1,094	709	1,079	(5,071)
Fund Balances					
Beginning of year	37,565	935	25,900	1,330	23,189
End of year	<u>\$ 35,201</u>	<u>\$ 2,029</u>	<u>\$ 26,609</u>	<u>\$ 2,409</u>	<u>\$ 18,118</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2005

Total Nonmajor
Governmental
Funds

\$ 35,152
6,000
1,002
26,720

68,874

5,453
33,286
8,364
26,324

73,427

(4,553)

88,919

\$ 84,366

Charter Township of Brandon

	Library	Cable Commission	Tax Collection	Payroll
Assets				
Cash and investments	\$ -	\$ 68,266	\$ 4,688,304	\$ 1,808
Due from other governments	<u>3,513</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 3,513</u>	<u>\$ 68,266</u>	<u>\$ 4,688,304</u>	<u>\$ 1,808</u>
Liabilities				
Accounts payable	\$ 1,933	\$ -	\$ -	\$ -
Due to other governmental units	1,580	68,266	4,328,158	-
Due to component unit	-	-	360,146	-
Cash bonds and deposits	-	-	-	-
Accrued liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,808</u>
Total liabilities	<u>\$ 3,513</u>	<u>\$ 68,266</u>	<u>\$ 4,688,304</u>	<u>\$ 1,808</u>

Other Supplemental Information
Combining Statement of Agency Fund Assets and Liabilities
December 31, 2005

Escrow	Total
\$ 85,577	\$ 4,843,955
<u>-</u>	<u>3,513</u>
<u>\$ 85,577</u>	<u>\$ 4,847,468</u>
\$ -	\$ 1,933
-	4,398,004
-	360,146
85,577	85,577
<u>-</u>	<u>1,808</u>
<u>\$ 85,577</u>	<u>\$ 4,847,468</u>

Charter Township of Brandon

Component Unit - Fire Authority Statement of Net Assets December 31, 2005

	Modified Accrual Basis					
	Fire Operating Fund	Fire Equipment and Housing Fund	Ambulance	Public Contributions	Accrual Adjustments	Full Accrual
Assets						
Cash and investments	\$ 490,040	\$ 565,247	\$ 363,307	\$ 9,683	\$ -	\$ 1,428,277
Receivables - Property taxes	1,619,890	536,411	-	-	-	2,156,301
Capital assets	-	-	-	-	3,285,165	3,285,165
Total assets	<u>\$ 2,109,930</u>	<u>\$ 1,101,658</u>	<u>\$ 363,307</u>	<u>\$ 9,683</u>	3,285,165	<u>\$ 6,869,743</u>
Liabilities						
Accounts payable	\$ 5,661	\$ 1,997	\$ 1,056	\$ 287	-	\$ 9,001
Accrued liabilities	134	-	-	-	2,958	3,092
Deferred revenue	1,619,890	536,411	-	-	-	2,156,301
Long-term debt:					-	
Due within one year	-	-	-	-	46,071	46,071
Due in more than one year	-	-	-	-	253,355	253,355
Total liabilities	1,625,685	538,408	1,056	287	302,384	2,467,820
Fund Balance - Unreserved						
Designated for land purchases	-	200,000	-	-	(200,000)	-
Undesignated	484,245	363,250	362,251	9,396	(1,219,142)	-
Total fund balance	<u>484,245</u>	<u>563,250</u>	<u>362,251</u>	<u>9,396</u>	<u>(1,419,142)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 2,109,930</u>	<u>\$ 1,101,658</u>	<u>\$ 363,307</u>	<u>\$ 9,683</u>		
Net Assets						
Investment in capital assets - Net of related debt					3,017,187	3,017,187
Unrestricted					1,384,736	1,384,736
Total net assets					<u>\$ -</u>	<u>\$ 4,401,923</u>

Charter Township of Brandon

Component Unit - Fire Authority Statement of Activities Year Ended December 31, 2005

	Modified Accrual Basis					
	Fire					
	Fire Operating Fund	Equipment and Housing Fund	Ambulance	Public Contributions	Accrual Adjustments	Full Accrual
Revenue						
Property taxes	\$ 1,535,486	\$ 508,548	\$ -	\$ -	\$ -	\$ 2,044,034
Interest	45,544	20,298	10,088	314	-	76,244
Charges and fees	-	-	150,728	-	-	150,728
Other	4,619	1,895	-	13,296	-	19,810
Total revenue	1,585,649	530,741	160,816	13,610	-	2,290,816
Expenditures						
Salaries and wages	1,004,615	-	-	-	(1,294)	1,003,321
Fringe benefits	769,988	-	-	-	-	769,988
Insurance	47,812	-	-	-	-	47,812
Utilities	31,861	-	-	-	-	31,861
Repair and maintenance	25,415	174,710	-	-	-	200,125
Training	9,110	-	9,142	-	-	18,252
Capital outlay	-	50,696	18,319	1,618	(115,066)	(44,433)
Interest	-	10,142	-	-	-	10,142
Principal	-	39,811	-	-	(39,811)	-
Depreciation	-	-	-	-	149,550	149,550
Other expenditures	81,291	-	48,652	13,259	(200)	143,002
Total expenditures	1,970,092	275,359	76,113	14,877	(6,821)	2,329,620
Change in Fund Balances	(384,443)	255,382	84,703	(1,267)	6,821	(38,804)
Fund Balances						
Beginning of year	868,688	307,868	277,548	10,663	2,975,960	4,440,727
End of year	<u>\$ 484,245</u>	<u>\$ 563,250</u>	<u>\$ 362,251</u>	<u>\$ 9,396</u>	<u>\$ 2,982,781</u>	<u>\$ 4,401,923</u>



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April 25, 2006

To the Board of Trustees
Charter Township of Brandon
395 Mill Street
Ortonville, MI 48462

Dear Board Members:

We recently completed the audit of the financial statements of the Charter Township of Brandon for the year ended December 31, 2005. In addition to the audit report, we offer the following comments for your consideration:

Retiree Health Care Funding

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other postemployment benefits other than pensions." The new rules will require the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2009.

These new rules will require the financial statements to include a six year summary of the actuarially recommended contribution for the retiree health care obligation and a comparison to the amount actually funded. Currently, the Township is setting aside a contribution, equivalent to the difference between the MERS contribution requirement and 12 percent. This new rule will cause the Township to measure the recommended contribution on an actuarial basis, which might result in a higher number. This will force the Township to decide how much of the actuarially recommended contribution, if any, to fund. We would be happy to discuss the issues concerning this further with you, at your convenience.

Investment of Retiree Health Care Funds

As discussed above, the Township has begun setting aside funds for the retiree health care obligation. Currently this fund is invested in certificates of deposit. We believe the Township should consider the potential benefits of using a using the MERS system to professionally invest the retiree health care funds. We believe that this could result in a higher average investment rate of return, which would significantly reduce the long-run cost of this benefit.

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Walnut Hills Special Assessment

As part of our audit, we noted that the Walnut Hills special assessment is not likely to have enough resources to pay its final debt service payment. The cause of this is quite common - early payoffs over the term of the assessment (caused by house sales and mortgage refinancings) have resulted in surplus cash that was not able to be reinvested at rates equivalent to the bond issue. As a result, the Township should plan on amending its budget during the year to transfer approximately \$17,000 from the General Fund to the Walnut Hills SAD fund to cover the shortfall.

Telecommunications Act Changes

Changes were made by the Legislature to restrict the ability of local governments to engage in telecommunications activities. Additionally, threats exist at both the federal and state level to restrict or eliminate the ability of local governments to regulate and franchise cable television, which would impact franchise fees received by local governments. We encourage the Township to monitor their developments closely given the impact that a reduction in cable franchise fees could have on the Township's budget.

We would like to thank you and your staff again this year for the cooperation and assistance provided during the audit. If you have any questions or would like to discuss these items further, please feel free to contact us at your convenience.

Yours truly,

Plante & Moran, PLLC

A handwritten signature in dark ink, appearing to read "Joseph C. Heffernan". The signature is fluid and cursive, with the first name "Joseph" being the most prominent.

Joseph C. Heffernan